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Message Text

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13
ORIGIN EUR-25

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 SIL-01 /166 R

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5/16/73 EXT: 20751
APPROVED BY EUR - WELLS STABLER
EUR/ IB - MR. RABENOLD
S/ S- MR. MILLER
CIEP - MR. FLANIGAN
---------- 126757
R 220130 Z MAY 73
FM SECSTATE WASHDC
TO AMEMBASSY MADRID

C O N F I D E N T I A L STATE 097594

E. O. 11652: GDS
TAGS: OVIP, ETRD, SP
SUBJECT: MEETING BETWEEN LOPEZ RODO AND PETER FLANIGAN

1. SPANISH DEVELOPMENT PLAN MINISTER LOPEZ RODO CALLED ON MR. PETER FLANIGAN, ASSISTANT TO PRESIDENT FOR INTERNATIONAL ECONOMIC AFFAIRS, MAY 14. LOPEZ RODO EMPHASIZED SPAIN' S LARGE TRADE DEFICIT WITH U. S. AND RECALLED USG COMMITMENT GIVEN AT TIME OF SPANISH DECISION NOT TO CHANGE PARITY OF PESETA AND AGAIN DURING FONMIN LOPEZ BRAVO' S CALL ON SECRETARY SHULTZ IN APRIL THAT USG WOULD TAKE NO ACTION AGAINST SPANISH EXPORTS WITHOUT FULL CONSULTATION.

2. MR. FLANIGAN SAID WE MOST GRATEFUL TO GOS FOR ITS ACTION WITH RESPECT VALUE OF PESETA. WITH RESPECT TO TRADE BALANCE, WHAT WAS IMPORTANT WAS NOT BILATERAL BALANCE BUT NEED FOR FREE WORLD TRADING SYSTEM WHICH
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PERMITS EACH COUNTRY TO BE IN OVER- ALL BALANCE IN ITS PAYMENTS. OUR IMPORTS FROM SPAIN MIGHT BE RELATIVELY SMALL, BUT THEY COULD HAVE IMPORTANT EFFECT ON SPECIFIC INDUSTRIES. FORTY PER CENT OF SHOE CONSUMPTION IN U. S. WAS FROM IMPORTS. QUESTION MUST BE CONSIDERED NOT ONLY FROM MACRO- ECONOMIC POINT OF VIEW, BUT ALSO FROM PERSONAL VIEW OF THOSE IN INDUSTRY WHO LOSE JOBS BECAUSE OF FOREIGN COMPETITION. IF BARRIERS ARE REDUCED, SAFEGUARDS MUST BE MAINTAINED. IN RECENT TESTIMONY ON TRADE BILL HE HAD BEEN SCOLDED BY CONGRESSMAN BURKE THAT U. S. HAD DONE NOTHING TO RESTRICT SHOE IMPORTS. HE NOTED THAT ITALY HAD AGREED TO VOLUNTARY RESTRAINTS ON SHOE EXPORTS AND URGED SPAIN TO CONSIDER VOLUNTARY AGREEMENT.

3. LOPEZ RODO INDICATED THAT IT WAS NOT POSSIBLE FOR SPAIN TO IMPOSE VOLUNTARY RESTRAINTS ON SHOE EXPORTS. MR. FLANIGAN SAID WE UNDERSTAND OUR COMMITMENT TO CONSULT WITH SPAIN BEFORE TAKING ANY UNILATERAL ACTION AFFECTING IMPORTS FROM SPAIN. LOPEZ RODO RECALLED THAT U. S. EXPORTS TO SPAIN HAD BEEN INCREASING AT A HEALTHY RATE AND SAID THAT IF PHILOSOPHY OF FREE TRADE CHANGED INTO POLICY OF IMPORT RESTRICTIONS, U. S. EXPORTS WOULD NOT CONTINUE TO INCREASE. IN SUCH A SITUATION U. S. WOULD HAVE MORE TO LOSE THAN ITS TRADING PARTNERS.

4. MR. FLANIGAN NOTED THAT U. S. IMPORTS UP BY 40 PER CENT WHILE EXPORTS HAD INCREASED BY ONLY 15 PER CENT. OUR ABILITY MAINTAIN FREE WORLD DEFENSES AND $2 BILLION WE SPEND ANNUALLY MAINTAINING TROOPS IN EUROPE MUST BE BORNE BY U. S. EXPORTS. IF U. S. FORCED TO TURN INWARD, U. S. MAY BE HURT IN TRADE, BUT IN OTHER ASPECTS OTHER COUNTRIES MAY BE HURT IN GREATER MEASURE. MR. FLANIGAN SUGGESTED THAT BOTH SPAIN AND THE US HAD A COMMON INTEREST IN MAINTAINING THE OPEN AND EQUITABLE TRADING WORLD THE PRESIDENT HAD CALLED FOR AT THE 1972 IMF MEETING AND IN HIS TRADE MESSAGE.
5. LOPEZ RODO ASKED WHAT U. S. ATTITUDE ON TRADE MATTERS WOULD BE BETWEEN NOW AND TIME NEW TRADE BILL APPROVED. MR. FLANIGAN REPLIED THAT WE CONTINUE TO BELIEVE FREE AND FAIR TRADE ESSENTIAL. SAID BARRIERS PLACED ON OUR CITRUS EXPORTS TO EC ENTIRELY UNJUST. WE TAKE STRONG
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EXCEPTION TO SPECIAL BENEFITS WHICH EC GAVE TO SPAIN AND OTHER MEDITERRANEAN COUNTRIES. WE BELIEVE EFTA NON- CANDIDATE AGREEMENTS SHOULD AFFORD US COMPENSATION FOR TRADE IMPAIRMENT. WE CONTINUE FULLY TO SUPPORT SPAIN' S DESIRE TO BE FULL MEMBER OF EC, BUT CANNOT ACCEPT DISCRIMINATION ON INDUSTRIAL GOODS. NEW AGREEMENT WHICH SPAIN WORKING OUT WITH EC MUST BE

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FULLY CONSISTENT WITH GATT.

6. LOPEZ RODO CONVERSATION WITH SECRETARY SHULTZ
BEING REPORTED SEPTEL. RUSH

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